

Head 328 - Department of Manpower and Employment

1. Financial Statements

1.1 Qualified Opinion

The audit of the financial statements of the Department of Manpower and Employment for the year ended 31 December 2019 comprising the statement of financial position as at 31 December 2019 and the statement of financial performance and cash flow statement for the year then ended was carried out under my direction in pursuance of provisions in Article 154 (1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with provisions of the National Audit Act, No. 19 of 2018. In terms of Section 11(1) of the National Audit Act, No. 19 of 2018, the summary report including my comments and observations on the financial statements of the Department of Manpower and Employment was issued to the Accounting Officer on 26 June 2020. In terms of Section 11(2) of the National Audit Act, the Annual Detailed Management Audit Report relating to the Department was issued on 30 November 2020 to the Accounting Officer. This report is submitted to Parliament in pursuance of provisions in Article 154 (6) of the Constitution of the Democratic Socialist Republic of Sri Lanka, which should be read in conjunction with provisions of Section 10 of the National Audit Act, No. 19 of 2018.

In my opinion, except for the effects of the matters described in paragraph 1.6 of this report, the financial statements prepared in terms of provisions of State Accounts Circular bearing No. 271/2019 of 03 December 2019 give a true and fair view of the financial position of the Department of Manpower and Employment as at 31 December 2019, and of its financial performance and cash flows for the year then ended in accordance with Generally Accepted Accounting Principles.

1.2 Basis for Qualified Opinion

I conducted my audit in accordance with Sri Lanka Auditing Standards (SLAuSs). My responsibility, under those standards is further described in the Auditor's Responsibility for the Audit of the Financial Statements section of my report. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

1.3 Responsibility of the Chief Accounting Officer and the Accounting Officer on the Financial Statements

The Chief Accounting Officer and the Accounting Officer are responsible for the preparation of financial statements that give a true and fair view in accordance with Generally Accepted Accounting Principles and in terms of Section 38 of the National Audit Act, No.19 of 2018 and for such internal control as The Chief Accounting Officer and the Accounting Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

As per Section 16 (1) of the National Audit Act, No. 19 of 2018, the Department is required to maintain proper books and records of all its income, expenditure, assets and liabilities, to enable annual and periodic financial statements to be prepared of the Department.

In terms of Sub-section 38 (1) (c) of the National Audit Act, the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such system and accordingly make any alterations as required for such systems to be effectively carried out.

1.4 Auditor's Responsibility for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sri Lanka Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Sri Lanka Auditing Standards, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

1.5. Report on Other Legal Requirements

As required by Section 6 (1) (d) and Section 38 of the National Audit Act, No.19 of 2018, I state the followings:

- (a) The financial statements are consistent with the preceding year.
- (b) Recommendation pointed out in my report on the financial statements submitted in the preceding year had been implemented.

1.6 Comments on Financial Statements

1.6.1 Statement of Financial Performance

Audit Observation	Recommendation	Comments of the Accounting Officer
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Debits of the year had been overstated by Rs. 963,361 and credits of the year had been understated by Rs. 699,637 as debits and credits in the treasury notes pertaining to the advance 'B' account had not been taken in to consideration in the preparation of the statement of financial performance of the Department.	The Department should take action to prepare the statement of financial performance accurately in accordance with the State Accounts Circulars.	Non-consideration of debit notes and credit notes made by the journal entries under Advance B Account was the reason for that. I noted down to include it accurately in the future.

1.6.2 Statement of Financial Position

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) Net assets had been understated by Rs. 258,082 in the statement of financial position.	The Department should take action to prepare and submit the financial statements accurately.	The reason for the said change is that a sum of Rs. 258,082 has been indicated below as the imprest balance in the statement of financial position. Likely, a sum of Rs.258,082 has been shown as an unsettled sub imprest balance as at the end of the year in the imprest account.
(b) A difference of Rs.3,697,332 was observed in the acquisition of capital assets between the statement of non-financial assets and the statement of financial performance. Evidences for the changes had not been revealed to the audit.	The Department should take steps to accurately record the assets owned by the Department and to maintain the documents related to that in a systematic manner.	Purchases of fixed assets are made under the Acquisition of Capital Assets (11) and other Capital Expenditure (15) in the statement of financial performance.
(c) Even though the initial balance of property, plant and equipment was Rs.73,938,806 according to Format ACA 6, that value was Rs.70,978,466 as at the end of the previous year according to the statement of financial position. A difference of Rs.2,960,340 was observed in the opening balance of the property, plant and equipment according to the two statements.	The statement of financial position should be prepared as per the instructions of the relevant Circulars.	The reason for this change is that the values of fixed assets purchased in the previous years are still being included in the CIGAS programme under the Opening Balance. Entries of the opening balance have been finalized by the end of the year.

1.6.3 Statement of Cash Flow

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
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(a) As personal emoluments, other operating expenses and capital expenditure incurred by other Heads had been included in the preparation of the cash flow statement, cash flows generated from operating activities had been understated by Rs.18,652,183 and cash flows generated from investment activities had been understated by Rs.9,450,644.	The Department should take action to prepare and submit the financial statements correctly as instructed in the State Accounts Circulars.	I have noted down to take action by considering the information included in the relevant ACA formats in the preparation of the statement of cash flow as per the Circular.
(b) In the preparation of the adjustments of imprest accounts by the Departments, it had been prepared in order to indicate the balance that should be settled to the General Treasury at the end of the year by including the debit notes and credit notes made to the departmental accounts. Accordingly, adjustments of imprest accounts, presented to the audit had not been prepared as per the Circular.	The Department should take action to correctly prepare the financial statements and to submit them as instructed in the State Accounts Circulars.	I have noted down to prepare it correctly in the future.

1.6.4 Responsibility of the Chief Accounting Officer

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>Even though the Chief Accounting Officer and the Accounting Officer shall ensure that an effective internal control system for the financial control exists in the Department and carry out periodic reviews to monitor the effectiveness of such systems and accordingly make any alterations as required for such systems to be effectively carried out and such reviews should be carried out in writing and a copy of that should be presented to the Auditor General in terms of provisions of Section 38 of the National Audit Act No. 19 of 2018, declaration that such a review had been conducted was not presented to the audit.</p>	<p>Action should be taken in terms of Section 38 of the National Audit Act No. 19 of 2018.</p>	<p>Admitted. Although action has been taken to maintain an internal control system for financial control since 2019, copies have not been submitted to the Auditor General. Officers were instructed to function appropriately in the future.</p>

1.6.5 Non-compliance with Laws, Rules and Regulations

The instances of non-compliance with the provisions of the Laws, Rules and Regulation observed at audit test checks are analyzed and mentioned below.

Reference to Laws, Rules and Regulations	Observation Non-compliance	Recommendation	Comments of the Accounting Officer
<p>(a) Sections 3.4.3 (a) and (b) of the Government Procurement Guidelines</p>	<p>Even though suppliers who could supply special types of goods and services such as stationery, periodicals and publications had to be registered, suppliers had not been registered in that manner for the issuance of publications, which is a major function of the Department. The Department had spent Rs. 3,269,150 for issuing publications during the year under review.</p>	<p>Transparency in the procurement process should be ensured by registering suppliers for frequently purchased goods.</p>	<p>Magazines have been printed with the approval of the Director General in accordance with paragraph 3.4.4 (a) of the Government Procurement Guidelines.</p>

- (b) Paragraph 5.2.3 of State Accounts Circular No. 30/94 of 20 April 1994. Although the ownership of the equipment worth Rs. 2,885,200 given to the Department by the International Labour Organization had been transferred to the Department, action had not been taken to account them as per the provisions of the Circular. The Department should take action to account the assets as per the instructions of the State Accounts Circular. The value of these devices was accounted to the CIGAS Programme as the Opening Balances of the year 2019.

2. Financial Review

2.1 Expenditure Management

Audit Observation	Recommendation	Comments of the Accounting Officer
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The capital provision made for the Department by the Appropriation Act for the year was Rs.35,000,000 and Rs. 9,566,117 or 27 per cent out of the provision was saved. Even though it had been stated that the reason for the saving was the requirement of saving as specified in the Circulars issued by the National Budget Department, the savings in six Objects amounted to Rs. 7,435,441 and were in the range of 40 percent to 93 percent. Reasons for those savings had not been stated.	In terms of FR 50, the Department should prepare expenditure estimates as rational and accurate as much as possible.	Savings were done according to the saved provisions at the moment as 25% of the allocations made for each capital Object should be saved according to the Circular issued by the Department of National Budget. That reason has been generally indicated in relation to the savings in capital expenditure.

2.2 Issuing and Settling of Advances

Audit Observation	Recommendation	Comments of the Accounting Officer
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In terms of FR 371 (5), all sub imprest should be settled	The Department shall act in accordance with the	A sum of Rs. 258,082 had to be kept as the unsettled imprest balance as

by 31 December of the relevant year. However, the unsettled imprest balance as at 31 December 2019 was Rs.258,083.

instructions and guidelines set out in the Financial Regulations, Establishments Code and Budget Circulars of the General Treasury.

at 31 December 2019 since payments for officers for discharging duties at the Presidential Election in 2019 had to be made as advance payments. Arrangements have been made to return the money to the General Treasury in February 2020 after receiving money related thereto from the Department of Elections.

3. Operational Review

3.1 Non-performance of Roles

The following observations are made.

Audit Observation -----	Recommendation -----	Comments of the Accounting Officer -----
(a) During the year under review, 25,864 job seekers were registered with the Department and the number of registered job vacancies was 23,266. However, only 3,392 out of the job seekers were employed and the percentage of employed persons out of the job seekers in the year 2019 was as low as 13 percent. The employment percentage of job seekers for the last 5 years was in a minimal level and the responsible officers had not taken necessary and timely measures to increase the percentage.	The Department should implement an efficient and effective programme to achieve the specific objectives and roles, for which the Department has been established.	The reason was the non-provision of systematic information by the institutions, which had obtained our employment services on the filling of the vacancies. Required motivational activities are being carried out to get these responses appropriately.
(b) Four (4) volumes of 7,746 of “Hasara” magazines printed by incurring a sum of Rs. 344,470 in the year under review with the aim of providing guidance in relation	The Department should make arrangements to distribute the	“Hasara” magazines had not been distributed at the time of carrying out the audit activities

to career choice and career development of professionals and stakeholders, who were in need of career guidance, had not been distributed.

magazines in such a way that they reach the required persons for accomplishing the objective of printing the magazine.

and 800 magazines with 200 copies from one volume each have been retained at the Head office and the rest have already been distributed.

3.2 Non-achievement of the expected level of output

The following observations are made.

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>(a) Employment Creation, Promotion and Career Guidance Division had conducted 362 programmes as at 31 August 2019 in 25 districts and only 911, out of 12,774 beneficiaries, who had participated in these programmes, had initiated self-employments. Accordingly, the percentage of self-employed persons was only 7% and therefore, it was observed that the number of self-employed persons out of the participants in the self-employment programmes was very minimal. The situation in the previous years was similar to this. Reasons for this situation had not been found out and programmes had not been formulated and implemented to increase the performance.</p>	<p>The Department should function in order to provide its services to the public through an efficient and effective system, which ensures that the public get the expected benefits of establishing the Department.</p>	<p>Entrepreneurs are promoted and persons are motivated to start self-employments through these Programmes. It is clear that motivation of persons to start self-employments through the conduct of one-day and three-day workshops is a practically non-accomplishable target. Therefore, these programmes primarily educate the beneficiaries on how to start a business and how to run an existing business successfully.</p>
<p>(b) Training facilities for job seekers are provided by the District Employment Service Centres. It was observed that the selection of job seekers for the job opportunities, for which their qualifications were matched, was in a minimal level and the reasons for that were the lack of conducting on-the-</p>	<p>The Department should function in order to provide its services to the public through an efficient and effective system, which ensures that</p>	<p>Although job opportunities are matched, job seekers are reluctant to go for certain jobs and other reasons have also attributed for this situation. This is also due to their reluctance to participate in training.</p>

job trainings. However, it was observed that the number of job seekers, who were directed for job training was as low as 921, out of 25,864 registered job seekers in the year under review. Further, any candidate from Badulla, Batticaloa, Colombo, Gampaha, Hambantota, Jaffna, Kegalle, Kilinochchi, Matara, Nuwara Eliya and Trincomalee districts had not been directed for job training.

the public get the expected benefits of establishing the Department.

Several government and non-government organizations are working together to bring the skills of job seekers to a higher level and it has been decided by those institutions to enter into a joint venture during the year 2020.

4. Human Resource Management

Audit Observation	Recommendation	Comments of the Accounting Officer
<p>There were 119 vacancies for 16 posts in the Department as at 31 December 2019. There were 53 Posts of Career Guidance Officer and 49 Posts of Human Resource Development Officer among them. It was observed that many Career Guidance Officers currently in the service are over 50 years of age and it is not possible to recruit to those posts again after the year 2000 due to the issues prevailing in the Service Minute.</p>	<p>The Accounting Officer should regularly check that the Department has the necessary human resources to achieve the primary objectives of establishing the Department and should take every possible step to fill the essential vacancies expeditiously.</p>	<p>I emphasize that as a Department the power to make recruitments for Posts in the Staff Grade and Posts belonging to the Combined Services for filling vacancies in such posts has not been delegated to the Head of the Department. Therefore, it is kindly informed that we have no any other alternative rather than informing the relevant institutions to fill those vacancies. We have also held discussions with the Secretary of the Ministry of Public Administration in this regard and we have informed the relevant authorities about the vacancies several times. The Post of Career Guidance Officer, which was a Post belonging to Field Officers prevailed as a departmental post and the officers were scheduled to be absorbed in to the Development Officers' Service under the Minute of the Programme Officers' Service. However, the officers belonging to the Post of Career Guidance Officer have expressed their reluctance to be absorbed in to the Development Officers' service and therefore, the post remains as a departmental post and those Posts have been made personal only to those 32 officers.</p>